

F&P

May 13, 2020

COVID-19 Q1 UPDATE

How do Swedish listed companies communicate the impact of Covid-19 in their quarterly reports? What impact has it had so far and how do they comment on outlook?

Fogel & Partners monitors the capital market communication trends in Sweden and has summarized the main events in this document.



**Fogel &
Partners**

Summary of Q1-reports



Opus Group reported that the company's operations started to be affected by the pandemic during the second half of March, however not in Sweden. Covid-19 is expected to have a negative impact on sales and profitability for the foreseeable future.

12 May 2020



Paradox reported a substantial growth of 68%, partly due to increased demand as a result of Covid-19. The company stated that it is too early to say what, if any, long-term effects Covid-19 will have on the company and the gaming industry in general.

12 May 2020



Balder communicated that variable rents from hotels are not likely to materialize in 2020, and that Balder has granted deferrals on rent payments. To prepare for the future, scenario planning has been conducted.

8 May 2020



Bravida emphasized its diversification and low exposure to individual markets and customers in its outlook. To address the uncertainty, liquidity has been strengthened through signing a new credit agreement. It is also stated that margin will be prioritised over volume.

8 May 2020



Securitas thanked its employees for helping to minimize the spreading of the virus. A new credit facility has been signed and 10,000 employees are on temporary unemployment scheme. Looking ahead, scenario planning is conducted to ensure preparedness.

7 May 2020



Instalco has been relatively unaffected in Q1, however the company had a higher rate of sick leave in March, and many employees needed to stay home to care for children due to closed schools. It is also stated that the company has a flexible structure and that acquisition plans continue.

7 May 2020

Examples of companies who have issued **positive or neutral** guidance for Q2/2020 in their Q1 reports



Examples of guidance

” *The market development is uncertain because of the coronavirus pandemic in spring 2020. Given the situation, it is great that we have a healthy order backlog, strong cash flow and a solid balance sheet. In order to further strengthen liquidity, in April Bravida signed a new one-year credit agreement for SEK 500 million. In these times it is particularly important to prioritise margin before volume..”*
- Bravida

” *As for consumption, we, like large parts of the digital entertainment industry, have not seen demand for our products decrease, but on the contrary it has increased. However, it is still too early to say what long-term effects, if any, Covid-19 will have on our business and on the gaming industry in general.*
- Paradox

” *Looking ahead, we face significant uncertainty related to the corona pandemic. We are assessing different scenarios to ensure preparedness. We will continue to implement proactive measures to mitigate the impacts and will take action as deemed necessary.”*
- Securitas

F&P comments

Positive guidance has become less common in recent weeks, and companies emphasize that there is no certainty to whether the positive effects from Covid-19 will be permanent. Many also state that they conduct extensive scenario planning to prepare for an uncertain future.



Examples of companies who have issued negative guidance for Q2/2020 in their Q1 reports

Examples of guidance

” *The future, as stated earlier, is extremely uncertain. We are trying to prepare ourselves for different scenarios – that we will see a trend reversal and a positive development in the near future, that the negative effects will persist for a longer period or that we will end up somewhere in between*

- Balder

” *We expect the Covid-19 pandemic will have a negative impact on our sales and profitability for the foreseeable future. While Opus has taken drastic steps to mitigate the financial impact of reduced global test and vehicle repair volume, management believes there is a considerable risk of a material impact on our financials.*

- Opus Group

” *The expected impact from COVID-19 is that the demand for branded packaged products will be lower during the second quarter and that the demand for pick & mix will be significantly reduced. Cloetta also assesses that the operating profit, adjusted, for the second quarter will be significantly lower than prior year*

- Cloetta

F&P comments

Companies providing negative guidance often combine this with comments on that they have diversified revenue streams, have taken actions to strengthen their liquidity, and have a financial position and flexible cost base.



Examples of companies who have commented on the COVID-19 impact in their Q1 reports

Examples of comments

” The pandemic is currently impacting all business activity, but different sectors are affected to a varying degree. During the first quarter, Balder’s profit from property management increased by 7 %. Income during the first quarter has already been adjusted for the variable rents that we normally receive from hotels, but that will most likely not materialise during 2020. Current earnings capacity has also been adjusted in an equivalent manner.”

- Balder

” What we have noticed, however, is a higher rate of sick leave during the month of March. In Norway and Finland, for example, we have also had employees who have needed to stay home to care for their children because the schools and daycare centres have been closed. We have noticed a bit of a downturn with service assignments, since people have been reluctant to invite others into their homes and workplaces during this pandemic. And for the same reason, there has been a slight decline in assignments at residential property, such as pipe replacement work.”

- Instalco

” The COVID-19 pandemic has swept the world, engulfing region after region. Being a global company, we were first affected in February when China closed down Wuhan and restricted travel.”

- Haldex

F&P comments

Comments on impact on Q1 are often more detailed than normal, and divided into impact on operations, supply chain, employee health, geography etc. There are many non-financial or non-operational comments compared to what is common for quarterly reports.